

HURRICANE SEASON BEGINS; MANY NEEDS OF KATRINA SURVIVORS STILL UNMET

*A Case Study of Republican Failure, Incompetence
And Cronyism*



Office of Democratic Leader Nancy Pelosi

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"Outside of a few fortunate neighborhoods, Greater New Orleans is caught in a vicious cycle: People cannot return to the city because they have no place to live; businesses cannot reopen because they lack workers and customers; and many former residents do not want to rebuild in neighborhoods devoid of services and basic community."

- New Orleans Times Picayune editorial, 5/20/06



"I just want to see something get done...Things pretty much look like they did just after the storm."

- Eric Miller, a stagehand living in FEMA trailer in Gentilly neighborhood, quoted in Washington Post, 5/22/06

"We're not even surviving anymore, we're dying."

- New Orleans City Councilman Oliver Thomas, quoted in New Orleans Times Picayune, 5/4/06

"I don't know how I'm going to pay for our police. I don't know how we're going to pay our teachers. I don't even know if there is going to be a city anymore."

- Eddie Farve, Mayor of Bay St. Louis, Mississippi, quoted in Washington Post, 5/24/06

"You hear about billions of dollars coming from Washington. But where is it?"

- Robert Brown, a garbage truck driver in Biloxi, Mississippi, quoted in Washington Post, 5/24/06



KATRINA: NINE MONTHS LATER

A Case Study of Republican Failure, Incompetence, and Cronyism

Executive Summary

Republicans Failed in the Immediate Response to Katrina - Demonstrating the Cronyism and Incompetence of the Bush Administration

Many current and former FEMA officials contend that disaster preparedness and response have been severely undermined over the last five years under the Bush Administration. "It's such an irony I hate to say it, but we have less capacity today than we did on September 11," said a veteran FEMA official involved in hurricane response." (Wash. Post, 9/4/05) As a result, as Americans witnessed on their television sets, when Katrina struck, FEMA's response was an utter, heartbreaking failure.

Nine Months After Katrina, Needs Still Go Unmet - With GOP Incompetence and Cronyism Continuing to Mark Relief Efforts

- **Levee Improvements & Coastal Restoration** - In order to ensure the full rebirth and revitalization of the Gulf Coast, it will be necessary to ensure that the levee system meets much higher standards than currently exist and an aggressive effort must be targeted on restoring coastal wetlands and barrier islands to protect the Gulf Coast in future storms. And yet Republicans have neglected both high standards for levees and coastal restoration.
- **Housing** - The Bush Administration's hastily-improvised \$10 billion housing effort has produced "vast sums of waste and misspent funds ... The toll of false starts ... appears likely to top \$1 billion and perhaps much more." [Wash. Post, 4/14/06] A disaster expert calls the housing effort "the largest disaster-response failure in the history of our country."
- **Small Business Loans** - The SBA has declined 60 percent of disaster loan applications - leaving tens of thousands of Gulf Coast businesses stranded. In addition, only 4 percent of approved SBA disaster loans - only \$336 million out of \$8 billion -- have been fully disbursed to small business owners in the region.
- **Education** - Accomplishing the goal of rebuilding Gulf Coast communities will rest in large part on rebuilding and reopening K-12 schools and colleges. Schools are the lifeblood of any community. Colleges act as a magnet for people and resources. And yet less than 2 percent of the federal aid the Congress has sent to the Gulf Coast has gone to the education sector.
- **Health Care** - A child health expert states, "We are watching the worst children's health crisis in modern American history unfold in the gulf area." And yet Republicans have refused to ease eligibility requirements for Medicaid - which would ease access to health care for these children.

GOP Incompetence and Cronyism Have Led to Waste, Fraud and Abuse in Katrina Contracts

As Rep. Henry Waxman (D-CA) pointed out at a May 4th hearing on Katrina-related contracts, "Today we examine how the [Katrina contract] money has been spent. And what we will find is massive fraud, waste and abuse; pervasive mismanagement; and gross incompetence. ...The Katrina contracts are a lose-lose-lose proposition. Private contractors exploited the system to make a bundle, taxpayers were gouged, and the folks devastated by Katrina in Louisiana and Mississippi didn't get the help they deserved."

Hurricane Season Begins; Many Needs Of Katrina Survivors Still Unmet

A Case Study of Republican Failure, Incompetence, & Cronyism

Thursday, June 1, is the beginning of the hurricane season. Those on the battered Gulf Coast brace for the next storm - still surrounded by the wreckage wrought by Hurricane Katrina.

The beginning of the hurricane season provides us with an appropriate benchmark for examining where the Gulf Coast stands nine months after the storm hit. All Americans know the story of the utter failure of the Bush Administration in responding to Katrina in the first five days. This report will show that the incompetence and cronyism that marked those first five days have continued to undermine Republicans' efforts to address Katrina survivors' needs over the last nine months - in areas ranging from housing to small business loans to health care. Nine months later, the residents of the Gulf Coast are still hurting.

Furthermore, the Republican Congress left town for the Memorial Day Recess leaving hurricane survivors in the lurch - failing to enact the War/Katrina Relief Supplemental Appropriations bill. As Sen. Mary Landrieu (D-LA) pointed out on May 16, the struggling Gulf Coast is desperately in need of the billions of dollars in relief contained in this legislation. This supplemental includes badly-needed funds for homeowner rebuilding, levee improvements, education relief, and disaster relief.

Nine months after the storm, it is estimated that only about one-third of the residents of New Orleans have returned. Much of the New Orleans metropolitan area and much of the Mississippi coast remain in the same condition as they were right after the storm. Rebuilding is only now beginning to start. Hundreds of thousands of survivors are still struggling to get by and have still been unable to begin rebuilding their lives.

Hurricane Katrina was the worst natural disaster in this nation's history. According to the latest statistics:

- More than 1,800 lives have been lost;
- About 1.5 million people were at least temporarily displaced by the hurricane - hundreds of thousands are still unable to return home;
- Nearly 500,000 homes in Louisiana and Mississippi were destroyed or made uninhabitable;
- 81,000 businesses were impacted by the hurricane and more than 220,000 jobs were lost in Louisiana alone; and
- Property damage created by the hurricane is estimated at \$50 billion in private insured losses.

And yet the Republican response to the worst natural disaster in our history has been marked by failure, incompetence and cronyism. This Special Report describes how Republicans:

- Failed in the immediate response to Katrina
- Continue to fail to meet the needs of Gulf Coast communities, in such areas as:
 - Additional Levee Improvements and Coastal Restoration
 - Housing
 - Small Business and Job Assistance
 - Education
 - Health Care
- Have failed to ensure the integrity of Katrina contracts - leading to waste, fraud and abuse

I. Republicans Failed in the Immediate Response to Katrina - Demonstrating the Cronyism and Incompetence of the Bush Administration

The Bush Administration had severely undermined FEMA. When President Bush was inaugurated in January 2001, FEMA was an independent Cabinet-level agency that was highly regarded for its work in responding to both natural disasters and incidents of terrorism. It had been headed for years by James Lee Witt, who had years of previous experience in disaster preparedness and response. The Bush Administration has transformed this well-respected, independent, Cabinet-level agency into an underfunded, isolated piece of the sprawling Department of Homeland Security - headed by several political hacks with no previous disaster preparedness experience.



FEMA employees have said that FEMA was less prepared for disaster response when Katrina struck than it was on 9/11. Current and former FEMA officials have stated that disaster preparedness and response have been severely undermined under the Bush Administration. "'It's such an irony I hate to say it, but we have less capability today than we did on September 11,' said a veteran FEMA official involved in hurricane response. 'We are so much less than what we were in 2000,' added another senior FEMA official. 'We've lost a lot of what we were able to do then.'" (Washington Post, 9/4/05)

FEMA leadership was loaded down with political cronies with no emergency experience. The lack of qualified, experienced people in leadership positions at FEMA played a critical role in the agency's failed Katrina response. Among the political appointees lacking disaster management experience were the top three posts:

- **Michael Brown**, former Head of FEMA, had absolutely no disaster experience. His previous position was as the commissioner of judges and stewards for the International Arabian Horse Association.
- **Patrick Rhode**, former FEMA Chief of Staff, also had no disaster management experience. Prior to joining the agency, he was a television reporter and a White House and campaign staffer coordinating Bush's appearances.
- **Brooks Altshuler**, former FEMA Deputy Chief of Staff, was also part of President Bush's advance team. Shockingly, both Rhode and Altshuler pointed to their experience working in the advance team as relevant to disaster training, according to a recent Senate report.

Crony-management spurred an exodus of FEMA's more experienced staff, contributed to low morale. President Bush's decision to fill FEMA's leadership with politically connected, inexperienced people resulted in an agency-wide "brain drain" as qualified, experienced veterans left for other jobs. In fact, for the last few years, FEMA has operated at a 15 to 20 percent staff vacancy rate. [Senate Report, May 2006] Incompetent leadership and lack of confidence in the agency's abilities led to a low morale among the staff. [Washington Post, 9/14/05]

Staggering rate of staff turnover made FEMA less capable in the face of Hurricane Katrina. The turnover undoubtedly played a significant role in the agency's failure to prepare and protect the Gulf States from Hurricane Katrina. During the response to Hurricane Katrina, FEMA had some 500 vacancies and eight of ten regional directors were serving in acting capacity. [Democratic Staff,

House Committee on Homeland Security, 5/24/06] According to the executive director of the National Emergency Management Association, Trina Sheets, "When you don't have trained, qualified people in those positions, the program suffers as a whole." [Washington Post, 9/9/05]

Tens of thousands New Orleans residents were trapped without food, water and emergency care. For days after Katrina hit, there were thousands upon thousands of people who failed to get the food, water, medicine and evacuation assistance they desperately needed from FEMA. The failed federal response caused lives to be needlessly lost and thousands to needlessly suffer.



FEMA unaware of the thousands of hurricane survivors stranded at the New Orleans Convention Center. In one of the most glaring incidences of the complete incompetence of FEMA, during a September 1st interview with Nightline, Director Michael Brown stated that FEMA had not known about the 19,000 people stranded at the Morial Convention Center without food or water until late that afternoon - despite a whole day of news reports showing survivors at the convention center.



FEMA Director Michael Brown told Louisiana Governor Blanco buses were on the way - but they weren't. On August 29th, FEMA Director Brown assured Louisiana Governor Blanco that 500 buses were en route to New Orleans and would arrive in a matter of hours to assist in the evacuation. Despite Brown's promise, FEMA did not request buses from the Department of Transportation until Wednesday August 31st - and the buses did not arrive in significant numbers until Thursday September 1st - three days after the hurricane made landfall. [Times-Picayune, 12/3/05; Senate Report, May 2006]

Buses were not the only thing that Gov. Blanco requested but didn't receive from FEMA. On September 2nd, Blanco wrote the White House listing all of the things she had requested that she still had not received from FEMA, including "ice, water, food, buses, base camps, staging areas, amphibious vehicles, mobile morgues, rescue teams, and airlift and communications systems." [Washington Post, 12/4/05] FEMA was simply unresponsive.

II. Nine Months After Katrina, Needs Still Go Unmet - with GOP Incompetence and Cronyism Continuing to Mark Relief Efforts

Hurricane Katrina caused a population shift so significant that the Christian Science Monitor described it as "if the entire Dust Bowl migration occurred in 14 days, or the dislocations caused by the Civil War took place on fast-forward." [Christian Science Monitor, 9/12/05] Now, nine months after the hurricane ravaged Gulf Coast states, hundreds of thousands of people still have not returned, businesses remain shuttered, and local and state economies remain in ruins.

A. Republicans Have Failed to Adequately Deal with Levee Improvements and Coastal Restoration

Many experts argue that, in order to adequately protect Gulf Coast communities, much more needs to be done on levee improvements. In order to ensure the full rebirth of the Gulf Coast, it will be necessary to ensure that the levee system meets much higher standards than currently exist. It is true that the Army Corps of Engineers succeeded in all but completing its repairs to New Orleans' ruined levee system before the beginning of the hurricane season on June 1st. However, many experts argue that this is not nearly enough. As the New York Times (5/25/06) has reported, "New Orleans is very much at risk, independent engineers say, because the level of protection the corps has reached is still not as strong as the city needs." Congress will need to address the improvements that must be made in order to better protect human life.



Many experts also argue that coastal restoration is being neglected by the Bush Administration and the Republican Congress. Unfortunately, the Bush Administration and the Republican Congress have pushed the restoration of coastal wetlands and barrier islands along the Gulf Coast to the very bottom of the list of steps to be taken in response to Katrina. This is an enormous mistake. The future of the region's habitability is tied to the health of the wetlands. Long before there were levees to hold back the floodwater, there were wetlands acting as a buffer. The giant sponge formed by wetlands can absorb the brunt of a hurricane; shrinking the sponge leaves that much more power in storms to wreck havoc. It is vital that Republicans turn their attention to the restoration of the coast; only by reversing the disappearance of coastal wetlands can we truly begin to make those living along the Gulf Coast safe.

B. Bush Administration Has BOTH Wasted Millions of Dollars AND Failed to Meet Many Housing Needs

One million households in the Gulf Coast were displaced by Hurricane Katrina. Nearly 205,000 homes and apartments were damaged or destroyed in Louisiana. [The Road Home Housing Programs Action Plan, 2006] In St. Bernard Parish, all but five of 27,000 residences were damaged or destroyed by Katrina. [Times Picayune, 5/11/06] Katrina ravaged Mississippi - leaving more than 234,000 homes damaged or destroyed. [Mississippi Dept. of Insurance, 4/2006]

The FEMA housing effort "has produced vast sums of waste and misspent funds" - estimated at over \$1 billion. Unfortunately, FEMA's response to this vast need for housing assistance has been marked by waste. As the Washington Post (4/14/06) reported, "Nearly eight months after Hurricane Katrina triggered the nation's largest housing crisis since the Second World War, a hastily improvised \$10 billion effort by the federal government has produced vast sums of waste and misspent funds, an array of government audits and outside analysts have concluded. ... The toll of false starts and missed opportunities appears likely to top \$1 billion and perhaps much more."

Disaster expert calls the FEMA housing effort "the largest disaster-response failure in the history of our country." "Dennis Mileti, former director of the National Hazards Center in Colorado, has called [the FEMA housing effort] 'the largest disaster-response failure in the history of our country.'" [Washington Post, 4/14/06] Mr. Mileti points out that, instead of an expensive trailer program, FEMA should have focused on families getting effective, stable rental assistance.

FEMA has spent 60 percent of its housing aid on the exorbitantly expensive trailer program, benefiting 10 percent of survivors. The government's costliest initiative was \$6.4 billion allocated



to place storm survivors in temporary trailers and mobile homes. As of April 14, only 71 percent of the 141,000 trailers that FEMA estimates are needed were being occupied. Meanwhile, the trailer program consumes more than 60 percent of funds FEMA is spending on housing aid - even though it benefits only 10 percent of the approximately 1 million households getting help. By contrast, the much more cost-effective rental assistance program is serving 800,000 families, or 80 percent of the households getting help - costing only 30 percent of the total. [Washington Post, 4/14/06]

Many homeowners in the Gulf Coast have suffered due to Bush Administration providing no oversight of how private insurers are transferring liability to the American taxpayer. Under the Bush Administration, FEMA's National Flood Insurance Program (NFIP) is borrowing \$25 billion to pay flood insurance claims without providing any oversight of the insurance companies. In homes that had hours of hurricane force winds followed by storm surge, the adjusters for the private insurers have assigned the destruction to flooding covered by NFIP rather than to hurricane winds covered by the private insurers. The insurance companies have an obvious conflict of interest, yet the federal government has done nothing to scrutinize the claims. As a result, thousands of families who lost everything to Katrina's fury are now facing a second disaster: after years of paying hefty homeowner insurance premiums, their insurers aren't paying them a dime.

The FEMA made one misstep after another. Immediately after Katrina struck, FEMA lurched from one ill-thought-out step to another. Among these ill-advised steps was a \$236 million "rush" contract with Carnival Cruise Lines for six months of temporary housing at a cost of roughly \$5,500 per passenger. [Washington Post, 9/28/05] FEMA also spent some \$10 million to renovate and furnish rooms in military barracks in Alabama despite local officials saying the effort was not needed. When FEMA closed the facility, it had six occupants. [GAO, March 2006]

American taxpayers had to foot a huge hotel bill because FEMA failed to develop alternate housing plans. FEMA relied on a \$560 million hotel program to house hurricane evacuees due to FEMA's failure to develop other housing options for Katrina families. [USA Today, 3/8/06] Hotels were a viable and reasonable option for housing individuals and families immediately after Katrina swept over the Gulf Coast, but the long-term housing crisis was far from solved with a temporary-by-nature hotel program. According to the National Multi Housing Council, FEMA spent an average of \$1,770 per month for each hotel room, far exceeding the average cost of rental units "even in some of the nation's most expensive housing markets." [National Multi Housing Council, 10/5/05]

About 10,000 FEMA mobile homes have sat in Hope, Arkansas, unused for months. For months, as tens of thousands of Gulf Coast families have waited for housing, more than 10,000 mobile homes purchased by FEMA have sat at a municipal airfield in Hope, Arkansas. As the New York Times (2/14/06) reported, "Though about 55,000 Louisiana families are still waiting for a manufactured housing unit, the mobile homes may never be used because FEMA regulations prohibit them from being installed in flood-prone coastal areas." These mobile homes cost FEMA about \$34,000 a piece. Not only that, many of the mobile homes have been allowed to deteriorate. As Sen. Joe Lieberman has stated, "These mobile homes are going to take the place of those very

expensive toilet seats that we remember from the Pentagon days. It's really unbelievable and unacceptable."

Thousands of households still waiting for FEMA trailers, nine months after the storm devastated their homes. Despite the billions that have been spent on the FEMA trailer program, thousands are still waiting. Even according to FEMA, there are about 40,000 households still waiting for a FEMA trailer, mostly in Louisiana. [Washington Post, 4/14/06] Sadly, the longer it takes for families to get back home, the less likely they are to rejoin their communities - instead finding work, school and permanent housing elsewhere.

FEMA is also suddenly and unexpectedly cutting thousands of Katrina survivors off housing aid on May 31. As the New York Times (4/27/06) has reported, "Thousands of hurricane evacuees who counted on a year of free housing and utilities are being told by FEMA that they are no longer eligible for such help and must either pay the rent themselves or leave. Of about 55,000 families who were given long-term housing vouchers, nearly a third are receiving notices that they no longer qualify... Although FEMA officials say they never promised a full year of free housing, many local officials around the country say yearlong vouchers were exactly what FEMA agreed to provide....The notices have panicked evacuees and raised the ire of local officials, who say FEMA is renegeing on a promise."

C. Republicans Have Failed on Small Business Loans and Job Assistance



Hurricanes Katrina and Rita shuttered thousands of small businesses, leaving many unemployed. More than 44,000 small businesses were damaged or destroyed by Hurricanes Katrina and Rita and 220,000 jobs were lost to the hurricanes. [Democratic staff, Senate Committee on Small Business, 3/8/06]

Since Katrina, the Bush Administration's SBA has declined 60 percent of disaster loan applications. As of April 15th, the SBA had declined 60 percent of disaster relief loan applications. [Democratic Staff, House Small Business Committee] Historically, SBA small business disaster loans have played a key role of providing long-term, low-cost financial assistance to those affected by a disaster - but many Gulf Coast businesses are now being turned away. Despite the importance of small businesses to revitalizing local communities and the magnitude of the Katrina disaster, nearly 3 out of 5 Louisiana applicants were denied SBA loans because they couldn't meet credit standards. [Associated Press, 3/15/06]

Under the Bush Administration, the SBA's disaster loan program has also been plagued by incompetence and unprecedented delays. As House Democrats pointed out in a March 8th letter to President Bush, "Unfortunately, the SBA's mismanagement of the disaster loan program has meant that the agency has been unable to act quickly and properly to process loans. The SBA disaster loan program has been plagued with problems since the disasters hit, including difficulties with the program's computer system, lack of staffing, and the overall unresponsiveness to applicants' issues. The results have generated frustration from applicants who are unable to obtain answers from SBA officials."

Nine months later, only 4 percent of approved SBA disaster loans have been fully disbursed. Furthermore, due to the backlogs and delays at SBA, over the nine months since Katrina, only 4

percent of approved SBA disaster loans -- \$336 million out of \$8 billion - have been fully disbursed to small business owners in the region. [Democratic staff, House Small Business Committee] This has significantly slowed down the rebirth of the region. Without this assistance, small businesses in the Gulf Region are unable to rebuild, hire new employees, and begin anew.

Republican Congress also left town for Memorial Day Recess without acting to prevent the loss of critical unemployment benefits for 80,000 hurricane survivors. Some 80,000 people still out of work because of Hurricanes Katrina and Rita will begin losing federal disaster unemployment assistance benefits on June 1st because Congressional Republicans left town for the Memorial Day Recess without passing an extension. On average, these benefits amount to roughly \$104 per week - hardly a king's ransom, but vital to unemployed evacuees with housing and other expenses.

D. Bush Administration Has Neglected the Educational Needs of Gulf Coast Kids and College Students

Nine months after Hurricane Katrina wreaked havoc on the Gulf Coast, the educational system remains in crisis. According to the New Orleans Recovery School District, New Orleans school facilities and infrastructure incurred more than \$800 million in damages as a result of Hurricanes Katrina and Rita. [New Orleans Recovery School District, 5/26/06]

Students and teachers alike scattered across the country. Nearly 176,000 Louisiana public school students and 12,000 teachers were displaced as a result of the hurricanes. [Louisiana Recovery Authority, 4/14/06] An additional 60,000 students had attended schools within the Archdiocese of New Orleans before Katrina. Many remain in states outside the Gulf Coast area.



Few schools open to students; overcrowding already a problem. In New Orleans, only 25 schools of the 130-school New Orleans Public School System are currently open and available to students. [New Orleans Recovery School District, 4/11/06] Re-opened schools already face capacity issues resulting in overcrowded classrooms. More students arrive each day seeking spaces in schools where there are none. Similarly, St. Bernard Parish has re-opened one school in its 14-school system. The Parish opened this "unified" school 11 weeks after the storm and has seen student enrollment increase rapidly. In both New Orleans and St. Bernard parishes, students who have returned are finding that schoolbooks, computers, musical instruments, and athletic equipment are in short supply, if available at all, and after-school programs are limited. [Democratic Staff, House Committee on Education and Workforce, April 2006] The physical damage to the schools that have not been re-opened is major. An estimated 40 public schools in the Gulf Coast were destroyed by Katrina and 835 others sustained significant damage - so the process of repair and rebuilding will be lengthy and expensive.

Less than 2 percent of aid to Gulf Coast has gone to education sector. Accomplishing the goal of rebuilding Gulf Coast communities will rest in large part on rebuilding and reopening K-12 schools and colleges. Schools are the lifeblood of any community. By establishing a richer cultural environment in communities, colleges act as a magnet for people, businesses, and resources. And yet, less than 2 percent of the \$87 billion in federal aid sent to the Gulf Coast has been directed toward the education sector. In addition, Congress needs to give local decisionmakers much more

flexibility in targeting federal education dollars in their community - for example, rechanneling federal dollars to pay the salaries of returning teachers.

The property damage alone for many Gulf Coast colleges and universities has been devastating.

The colleges and universities in New Orleans alone suffered a total of more than \$1 billion in property damages. Dillard University, a historically black college and university, was decimated. The University's campus was completely flooded with more than 10 feet of water. Dillard officials estimate the total property damage at \$500 million. The entire campus of Xavier University of Louisiana, also a historically black college and university, was flooded with three to seven feet of water. Xavier officials estimate that the cost of rebuilding and repairing the campus will be more than \$40 million. Tulane University, which was flooded with 1-5 feet of water, suffered \$150-\$250 million in property damage.



Many Gulf Coast colleges and universities have had to implement significant faculty and staff layoffs. In the aftermath of Katrina, colleges have been forced to make significant layoffs. As a result of the drastic terminations, these colleges have been forced to cut their course offerings, eliminate programs, increase class size and increase the number of courses that faculty must teach. Dillard University has laid off two-thirds of its faculty and staff; Xavier University has laid off 40 percent of its faculty and 60 percent of its staff; and Tulane University has laid off 166 faculty and 415 full-time staff.

Many Gulf State colleges and universities are so devastated that they will not be able to get back on their feet without federal help. The universities and colleges along the Gulf Coast play a critical role in their communities; helping them get back on their feet will help stimulate the rebirth of the region. The federal government should be an important partner in helping higher educational institutions rebuild, retain and recruit faculty and staff, and retain and recruit students. With assistance, the historic universities and colleges of the Gulf Coast can once more take their place among the important educational institutions in this country.

E. Republicans Fail to Make the Recovery of the Gulf Coast Health Care System a Priority

Health care in New Orleans "unacceptably primitive." New Orleans' health care system was devastated by Katrina. Only half of the city's pre-storm hospital beds are available, less than half the nursing homes are operational and only 19 out of 90 health care clinics have reopened. And the only Level 1 trauma center, Charity Hospital, is closed -- forcing those that require this care to travel to Shreveport, 350 miles away. As two New Orleans physicians have written, "Healthcare here [in New Orleans] remains unacceptably primitive." [U.S. News and World Report, 4/24/06]

Doctors and patients in Charity Hospital stranded in deplorable conditions for five days after Katrina. More than 200 patients and doctors were stranded in Charity Hospital with no food, water or electricity for five days after Katrina flooded the city. Medical staff moved many patients onto the hospital roof to escape the heat and smell. Patients requiring ventilators were kept alive by hand-pumped "ambu-bags." Several patients died before they could be rescued. The evacuation effort was paralyzed by a lack of organization; according to statements at the time by Tom Judge,

president of the Association of Air Ambulance Services, "nobody knows who's in charge here." [USA Today, 9/1/05; CNN, 9/3/05]

Today Charity Hospital remains closed, with Charity doctors working in a vacant department store. Doctors from Charity Hospital are still providing medical care to the people of New Orleans inside a now-defunct Lord & Taylor department store. What was once the city's largest hospital is now 30 beds and serves about 4,500 patients per month - about one-third the hospital's pre-storm volume. But frustration is rising among the doctors, who see no end to the makeshift system. Dr. Peter DeBlieux, a Charity emergency room physician, exclaims with exasperation, "This is the United States of America. This is not a Third World country." [U.S. News & World Report, 4/24/06]



Hospitals are swamped with patients. Despite the loss of residential population in New Orleans, the number of patients seeking care at greater New Orleans area facilities has not declined. This is, to some extent, a result of the influx of people working on reconstruction and rebuilding contracts. The length of hospital stays has grown longer across the region due to the inability to discharge patients to nursing homes and other facilities for long term and continued care. A growing number of those seeking medical care are uninsured, in part because reconstruction contracts typically do not include health coverage.

Louisiana needs more help from the federal government to rebuild "severely damaged" health care system. Federal assistance distributed to the Gulf Coast states only covers a fraction of the post-Katrina costs hospitals have incurred because they are designated only for evacuee claims up to January 31st and do not cover uninsured workers new to the area. [USA Today, 4/24/06] Without a significant commitment from the federal government, these hospitals will be unable to continue providing medical services. As two New Orleans doctors wrote in an April 13th edition of the *New England Journal of Medicine*, "Without rapid, coordinated, and effective help from government agencies, we fear that disproportionate human suffering and death will continue to plague greater New Orleans."

In addition, a child health expert states, "We are watching the worst children's health crisis in modern American history unfold in the gulf area." Irwin Redlener, president of the Children's Health Fund, has stated, "If you thought that the government's response to last year's Hurricane Katrina was a shocking display of mismanagement and incompetence, you should see what's happening to the displaced children of families now trapped in FEMA's trailer parks.... We are watching the worst children's health crisis in modern American history unfold in the gulf area." [New York Times, 5/9/06] A recent study conducted by the School of Public Health at Columbia University of these children has shocking results. It found that one in three children living in FEMA-subsidized housing has at least one chronic illness like asthma requiring medical care. Half of the children who had access to medical care before the storm no longer do. And although nearly half of the parents report that their children exhibit symptoms of emotional or behavioral disorders, the evaluation and treatment they urgently need is almost impossible to secure. [New York Times, 4/18/06] And yet the Bush



Administration and Republican Congress have refused to ease eligibility requirements for Medicaid - which would ease access to needed health care for these children.

III. Republican Incompetence and Cronyism Has Led to Enormous Waste, Fraud and Abuse in Katrina-Related Contracts

Americans are concerned about the culture of corruption, cronyism and incompetence in Washington, D.C. Under the Bush Administration, waste, fraud and abuse in Iraq by U.S. contractors with political connections have squandered hundreds of millions of taxpayer dollars and often put the lives of our troops on the line. Recovery and rebuilding contracts in the Gulf Coast have followed this pattern - with the Bush Administration handing top-dollar contracts to politically connected companies.

Over the last nine months, there has been massive waste, fraud and abuse in Katrina-related contracts. As Rep. Henry Waxman (D-CA) pointed out at a May 4th hearing on Katrina-related contracts, "Today we examine how the [Katrina contract] money has been spent. And what we will find is massive fraud, waste and abuse; pervasive mismanagement; and gross incompetence. ...The Katrina contracts are a lose-lose-lose proposition. Private contractors exploited the system to make a bundle, taxpayers were gouged, and the folks devastated by Katrina in Louisiana and Mississippi didn't get the help they deserved."

In the first six weeks after Katrina hit, the ten largest Katrina-related contracts went to politically connected companies outside the Gulf Coast. In the first six weeks after Katrina hit, all 10 companies awarded the largest Katrina contracts were located outside the Gulf Coast region. Most were politically connected and got the work after a limited bidding process. [AP, 10/19/05] One of the large contracts to a politically-connected company that has been questioned was the \$236 million rush order contract with Carnival Cruise Lines, a Miami company, for six months of temporary housing. This contract price was clearly too high - amounting to roughly \$5,500 per month per passenger. It would have been cheaper to simply send people on a six-month cruise, as the advertised rates for some Carnival cruises are lower. Carnival Cruise Lines and its executives have made large contributions to the Republican Party.

These no-bid/limited-bid contracts included four large contracts for housing that went to four key politically-connected firms, including Bechtel and Fluor. In September 2005, four contracts for temporary housing - worth \$100 million each - were awarded with limited or no competition to four politically-connected firms outside the Gulf Coast, the Shaw Group, Bechtel, CH2M Hill and Fluor. Several months later, amid charges of cronyism, FEMA announced that these four contracts would be re-opened to competitive bidding. However, the contracts were not opened until this year -- well after the initial work was "virtually complete."

The Department of Homeland Security itself estimates that the waste in Katrina housing contracts may top \$1 billion. One of the key areas where there has been documented, extensive waste has been in the Katrina housing contracts. As the Washington Post (4/14/06) has reported, "Nearly eight months after Hurricane Katrina triggered the nation's largest housing crisis since the Second World War, a hastily improvised \$10 billion effort by the federal government has produced vast sums of waste and misspent funds.... The toll of false starts and missed opportunities appears likely to top \$1 billion and perhaps much more, according to a series of ... Department of Homeland Security reports."

Republican delegate and niece of Republican Governor among largest hurricane recipients in Mississippi. Rosemary Barbour, Mississippi Governor Haley Barbour's niece, was awarded \$6.4

million in hurricane contracts, making her one of the largest hurricane contract recipients in the state. In October and November 2005, Ms. Barbour was awarded 10 contracts – most without competition – to provide tents, install showers and provide laundry equipment. [Clarion Ledger, 12/7/05] Barbour also served as a delegate to the Republican National Convention in 2004 and worked as a campaign coordinator for President Bush’s reelection campaign. [New York Times, 12/7/05]

FEMA contracts set aside for local and minority-owned companies awarded to new companies with connections to larger politically-connected firms. For example, four contracts for travel trailers, worth \$100 million each, were recently awarded to a two-company partnership, Del-Jen/PRI, Inc. The partnership qualified for the FEMA contracts as a minority-owned company because PRI, Inc. is an Asian American owned company located in California. However, Del-Jen is a wholly-owned subsidiary of Fluor Corp. The partnership’s success is surprising because “of the 36 [contracts] being awarded...no other company appears to have landed two.” [Times-Picayune, 5/9/06]

Politically connected firms paid two times what local companies charge for same work. Another example of overpaying companies with tight relationships to the Bush Administration and Republicans in Congress, the Administration awarded four companies debris removal contracts – each worth \$500 million – to Environmental Chemical Corporation, Ceres Environmental Services, Phillips and Jordan, and Ashbritt. These contracts paid roughly \$31 a cubic yard of debris despite local companies willing to contract for less than half that price – between \$14-\$16 per cubic yard. [Washington Post, 11/25/05]

Many companies awarded reconstruction contracts are nothing more than glorified middlemen who hire local people to perform the actual work at a substantially lower price. Companies with reconstruction contracts in the Gulf Coast are working a system in which layers of contractors and subcontractors drive up the overall price to taxpayers. According to auditors investigating the high cost of debris removal contracts, the four major contracts included a 17 to 47 percent markup – all profit for the middlemen. [USA Today, 4/10/06] Another analysis by the Washington Post found that the difference between a job’s actual price and the fee charged to taxpayers was as high as 1,700 percent on certain Katrina jobs. [Washington Post, 3/20/06]

Lax government oversight, layers of contractors lead to fraud, overbilling in \$2 billion debris clean-up contracts. American taxpayers paid \$2 billion for public debris clean-up in the Gulf Coast and the Bush Administration failed to perform critical oversight -- leading to significant fraud and overbilling by contracted companies. Contractors regularly double-billed their loads, overcharged for mileage and hauled ineligible materials from either private properties or, shockingly, from one dump site to another. [Democratic Staff, House Committee on Government Reform, 5/4/06]

Bush Administration awarded an inflated contract for portable classrooms to an Alaska firm with ties to key Republicans. Akima, an Alaska firm with ties to key Republicans in Washington, D.C., was awarded a no-bid contract worth \$39.5 million for 450 portable classrooms despite a lack of experience manufacturing or supplying portable buildings. An investigation by the Government Accountability Office found that Akima submitted a preliminary bid for the contract that was \$8 million lower than the final bid submitted just one day later. Despite the clearly inflated contract price, and a local businessman with two decades of experience supplying the state with these classrooms willing to do the job for half the price, the Administration awarded the contract to Akima. [USA Today, 9/29/05; GAO, May 2006]